

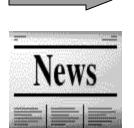
August 9, 2007

Presenter: Oscar J. Castro



The Financial Report of the U.S. Government (FR) – History

FY 1975



Prototype FR was published for FY 1973 & FY 1974 By AA & Co.

Thru 1980s



Publication of the FR every year

FY 1994





CFO Act & GMRA

FY 1997

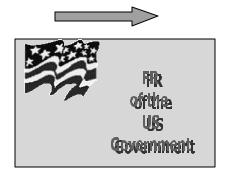




1st audited in FY 1997 by GAO

The Financial Report of the U.S. Government (FR) – History

FY 1997 -> FY 2002



**Published on March 31 for FY 97

FY 2003



**Accelerated to Feb. 27 in FY 2003 for the first time

FY 2004 & Subsequent FYs



**Published on December 15 with the second acceleration

^{**}By Law, the publication date for the FR is March 31.



- 1. Disclaimer of Opinion on Principal Financial Statements and related note disclosures
 - □ Includes disclaimer on Governmentwide Statement of Social Insurance (SOSI)
- 2. Adverse Opinion of Internal Controls over Financial Reporting

No change in audit results since FY 1997 audit.



- 1. Disclaimer of Opinion on 5 of 6 Principal Financial Statements and related note disclosures
 - ☐ GAO actively working to remove disclaimer on Governmentwide Statement of Social Insurance (SOSI)
- 2. Adverse Opinion of Internal Controls over Financial Reporting

First (?) change in audit results since FY 1997 audit.



Material Weaknesses:

- 1. PP&E and Inventory, Legal Contingencies and Net Costs – principally DOD
- 2. Intragovernmental Differences all agencies
- 3. FR Preparation and Compilation Issues
 principally Treasury and OMB

Issues Principally Related to DOD

Impact of DOD Audit Disclaimer:

- Property, Plant and Equipment and Inventory (47% of FY 2006 Govt. Assets)
- Liabilities and Commitments & Contingencies (9% of FY 2006 Govt. Liabilities)
 - □ Environmental and Disposal
 - ☐ Military post-retirement health benefits
- DOD net costs of operations (22% of Govt. Net Costs)

Current and Proposed Actions – DOD

- Various DOD agencies already subject to audit (DeCA, DLA, DFAS, etc.)
- Army Corp of Engineers 1st audit completed (FY 2006)
- Audits tentatively planned for FY 2008:
 - □ DISA
 - ☐ Marine Corps

Issues Related to Intragovernmental Differences

Unreconciled Differences (FY 2006):

- Buy/Sell and Transfers(*) \$38 billion
- Fiduciary Trading Partners(*) \$30 billion
- General Fund and Agencies \$9 billion
- (*)Amounts are in absolute value

Contribute to \$11 billion (net) "plug" in Stmt of Operations and Changes in Net Position

Current Actions – Intragovernmental Differences

Buy/Sell, Transfers and Fiduciary:

- Intragovernmental Business Rules:
 - ☐ Intragov. Dispute Resolution Committee
- OMB Watchlist and IGET Meetings
- Quarterly Reconciliations (IRAS/IFCS)
- Audit of Trading Partner information in Closing Packages (GFRS Module 4)
- Agreed-Upon Procedures (Revision to OMB Audit Bulletin 06-03)

Current Actions – Intragovernmental Differences

Intragovernmental Agreed-Upon Procedures (IGAUP):

- Treasury (FMS) and OMB to require 3rd quarter 2007 IGAUP for agencies with the largest and most chronic imbalances; in FY 2006, IGAUP was voluntary.
- Revised OMB Audit Bulletin to contain illustrative guidance of the steps to be performed by the OIGs.
- By August 15, 2007, OMB will contact the applicable agencies and their respective OIGs that meet the AUP threshold. The applicable CFOs, IGs, and FMS will meet to formulate the AUP.
- By September 6, 2007, the OIG will deliver the AUP report and findings on 3rd quarter intragovernmental activity and balances to the agency's CFO, FMS, OMB and GAO.

Current Actions – Intragovernmental Differences

General Fund Transactions:

- Use of Central Accounting Data (UCAD):
 - □ Fund Balance with Treasury
 - □ Cash and Investments Held Outside Treasury
 - □ Borrowings and Investments
 - □ Net Outlays
 - □ Non-Expenditure Transfers
 - □ Appropriation Warrants
- Three New Reciprocal Categories in IRAS and six (6) new lines in GFRS Module 3

FY 2007 Reciprocal Categories

RC*	Category Name	Pairing of Accounts			
		Receiving Agency		Providing Agency	
		USSGL Account	USSGL Account Title	USSGL Account	USSGL Account Title
07	Appropriation of Unavailable Trust or Special Fund Receipts	5740F(XX)	Appropriated Earmarked Receipts Transferred In	5745F(XX)	Appropriated Earmarked Receipts Transferred Out
08	Nonexpenditure Transfers of Unexpended Appropriations and Financing Sources	3102F(XX)	Unexpended Appropriations - Transfers-In	3103F(XX)	Unexpended Appropriations - Transfers-Out
		5755F(XX)	Nonexpenditure Financing Sources - Transfers-In	5765F(XX)	Nonexpenditure Financing Sources - Transfers-Out
09	Expenditure Transfers of Financing Sources	5750F(XX)	Expenditure Financing Sources - Transfers-In	5760F(XX)	Expenditure Financing Sources - Transfers-Out

^{*} RC 19 & 28 are deleted



- 81 Findings and Recommendations:
 - □ Incomplete intragovernmental eliminations
 - □ Inability to reconcile net operating results with budget results
 - □ Inconsistent reporting with agency data
 - □ Incomplete disclosures
- 73 Findings and Recommendations Closed During FY 2006 (50 Due to SFFAS 32)



- Reconciliation of net operating results with budget deficit:
 - □ Outlays vs. Net Costs \$246 billion
 - □ Receipts vs. Revenues \$34 billion
- Inconsistent reporting with agency data:
 - ☐ Inability to trace all amounts to agency financial statements
- Incomplete disclosures:
 - □ Not all data provided by agencies

Current Actions – FR Preparation Process

- Corrective Action Plans
 - □ Updated quarterly and provided to GAO
- Revisions to Policies and Procedures:
 - □ Automated data quality checks
 - □ Procedures to prevent/detect errors noted in FY 2006
 - □ Changes to documentation of reviews and approvals
- Planned future steps:
 - □ Continue budgetary to proprietary reconciliations
 - ☐ Make revisions to GFRS to improve data quality
 - □ Continue outreach with CFOs and IGs to resolve continuing governmentwide issues

Current Actions – FR Preparation Process (cont.)

Budgetary and Proprietary Relationships:

- Current Reconciliation Efforts:
 - □ Net Outlays (OMB)
 - □ Receipts (FMS)
- Implementation of FIRST
 - □ Will replace FACTS I/II, GFRS and IFCS
 - □ Budgetary/Proprietary Edits Using USSGL

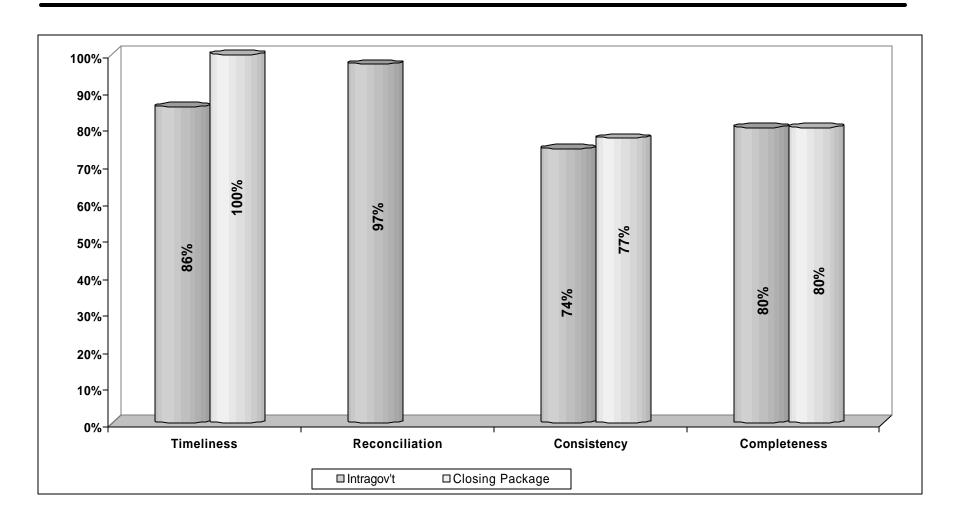
FY 2007 Preparation Challenges

- **■** Compressed Timelines
 - □ Start November 19 and Finish by November 29
- Number of Required Corrections (JVs) of Agency Errors/Omissions
 - □ 58 and 64 JVs in 2006 and 2005, respectively
- Agency Contacts
 - ☐ Ability to contact agency CFO personnel
- CFO and IG Reviews
 - □ "1st Line of Defense" key to accuracy and timeliness

FY 2006 Highlights

Agency's Performance Measure Scorecard				
Elements	Performance Goal			
1. Timeliness	Did the agency submit all required elements on time?			
2. Reconciliation of Unexplained Differences (Intragov't)	How did the agency do with reconciliation of unexplained differences with their trading partners (4 th quarter reporting, closing package reporting, etc)?			
3. Consistency/	Did the agency report and reclassify correctly?			
Integrity	Did the agency report intragovernmental activities correctly?			
4. Completeness	Did the agency receive an unqualified opinion on the Closing Package?			
	Did the IG complete the steps in the IG Agreed- upon Procedures?			

FY 2006 Highlights (continued)



FMS Contacts

■ Review accountants listed on the GFRS/FACTS I Website

■ Financial Reports Division: Karen Hunter, Director

(202) 874-8058

Karen.Hunter@fms.treas.gov

GFRS Closing Package Team Leaders:

Ella Hughes-Bailey

(202) 874-6389

Ella.Hughes-Bailey@fms.treas.gov

Angela Potts

(202) 874-9917

Angela.Potts@fms.treas.gov

David Strobel

(202) 874-9927

David.Strobel@fms.treas.gov



